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Consumer Interest Grows for US Cranberries and Blueberries

Report Categories:

Agriculture in the Economy

Agricultural Situation

Dried Fruit

Retail Foods

Food Processing Ingredients

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Report Highlights:

In calendar year (CY) 2013, Russian imports of fresh cranberries and blueberries reached 1,663 MT valued \$11.1 million – up 40 percent compared to 2012. Imports of frozen cranberries and blueberries reached 16, 245 MT in CY 2013 valued at \$16.6 million, up 10 percent respectively. While Russian demand for imported berries has risen markedly in recent years, there is significant room for future growth as the fast paced lifestyle in Russia, which combines more eating out and more emphasis on health and wellness, makes these berries a natural fit for snacking, packaged foods, and food service recipes. A growing middle class in Russia over the last decade has resulted in consumers who are looking for convenience, variety, and new options that provide health and functional benefits.

General Information:

Russia has a long history of berry consumption due the prevalence of wild berries (*Oxycoccus palustris*) that are picked throughout much of the country – particularly in the summertime. Production of wild cranberries and blueberries is significant in Russia, around 115,000 MT in CY 2012, according to Euromonitor. Post estimates total production to have dropped to 110,000 MT in CY 2013 and will likely continue to decline in the near future due to greater difficulty in locating pickers and the slow adoption of newer technologies. Most cranberries grow wild in the forests and marshes are handpicked by local residents. However, commercial production is limited to less than 30,000 MT annually according to industry contacts. Russians regularly use berries such as cranberries in the making of many traditional dishes and desserts although the majority of consumption in Russia has historically taken place in harvest months each year. U.S. cranberry and blueberry exports have started to change that trend as many Russian manufacturers have begun integrating these berries into innovative new products. Even with the strong Russian tradition of consuming berries, the market here is still undeveloped. With additional educational and promotional activities, Post believes there is significant potential to expand sales among consumers, retailers, food processors, and restaurants in Russia.

The fast paced modern lifestyle in Russia has led to more frequent visits to restaurants and more “eating on the run”. In addition, Russian consumers place a high emphasis on health and wellness which makes cranberries and blueberries a natural fit for snacking, packaged foods, and food service recipes. A growing middle class in Russia over the last decade has resulted in growing numbers of consumers who are looking for convenience, variety, and new options that provide healthy and functional benefits. Healthy snack options such as trail mixes and snack bars (granola musli) continue to experience strong growth and the Russian cake and pastry market is now worth over \$2 billion, according to market analysts. Snack bars, cereals, and yogurts—all products that can utilize cranberries and blueberries as ingredients—have also experienced rapid growth over the last decade. Russia is also one of the largest confectionery markets in the world where demand is growing for top quality ingredients. Cranberries and blueberries can be used as ingredients in all these categories. The juice sector in Russia has also benefited from increasing health consciousness among consumers. Market analysts have also noted that fruit juices have taken market share from soft drinks over the last five years. Cranberry juice, while still a small part of the Russian juice market, has potential for strong growth as consumers continue to become more aware of cranberry health benefits.

In the first quarter of 2014, the Russian Ruble decreased significantly compared to the U.S. Dollar from 32.65 Ruble/U.S. Dollar to 35.58 making imported frozen berries much more expensive for Russian consumers. Unless there is a correction in the exchange rate soon, Russian imports of frozen berries will decline for the remainder of 2014 including the supply of frozen cranberries from the United States.

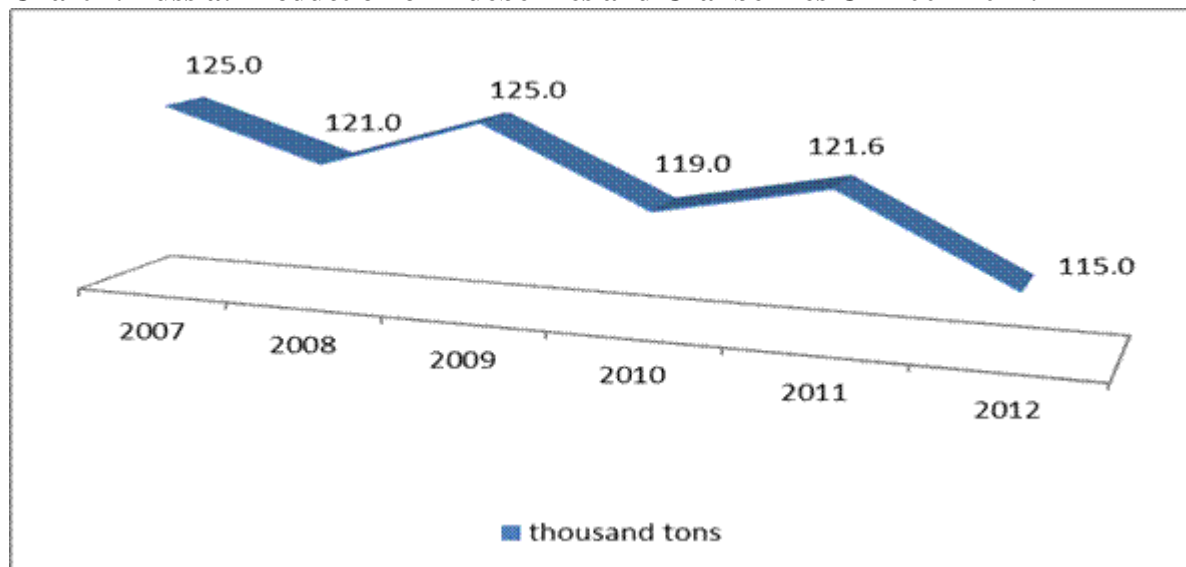
Production:

Russia has a long history of berry consumption due the prevalence of wild berries (*Oxycoccus palustris*) that are picked throughout much of the country during the warmer months. Overall production of wild cranberries and blueberries is quite high 110,000 MT annually, while the commercial production is not developed due to poor infrastructure and the lack of modern technologies in the sector. It is very difficult to locate accurate figures regarding commercial production of berries as much occurs during

the summer months by rural populations. According to industry contacts, commercial production, however, is limited at less than 30,000 MT of local cranberries. Most of the cranberries grow wild in the forests and marshes are handpicked by local residents. Wild berries grow in most of the vast territories of Central Russia, Siberia, Far East, Karelia, and Altay. Russian wild cranberry: small, round, dark red berry with the tart taste (*Vaccinium oxycoccos*) is very different from cultivated in North America berries (*Vaccinium cacrocarpon*). In Russia, the harvest season for cranberries is September through November.

The wild berries production depends a lot on the weather. According to the Euromonitor, production in Russia declined from 125,000 MT in CY 2007 to 115,000 MT in CY 2012 and Post estimates that it dropped to 110,000 MT in CY 2013 due to a declining rural population, growing difficulties in locating berry pickers for the season, and the slow adoption of new technologies. Currently, farm cultivation of wild berries is not well developed in Russia. However, the climate in Russia is very suitable for the cranberry and blueberry production

Chart 1. Russia: Production of Blueberries and Cranberries CY 2007-2012.



Source: Euromonitor

Consumption:

Russians have consumed wild berries for centuries and, thus, are familiar with the health benefits associated with them. Picking wild berries in the forests remains an important cultural and traditional activity among most Russians in both urban and rural areas where the picking takes place in the summer and the berries are preserved for the winter months. The vast majority of blueberries and cranberries consumed in Russia (estimated at 90 percent) are domestically grown. Post estimates that consumption of berries will grow in the near term as Russian consumers continue to ride the “living and eating healthy” wave and introduce more berries into their diets. In addition, Russia’s food processing sector is growing along with demand for high quality products such as U.S. frozen and dried sweetened cranberries.

In Russia, a traditional beverage made out of cranberries called “mors” can be found everywhere and is a popular alternative to fruit juices and soft drinks in restaurants and homes. Sweetened dried

cranberries are increasingly popular as a snack option and are often included in the dried fruits and nuts mixes as one of the staple ingredients. Dried sweeten cranberries and blueberries whole and cut are increasingly used as ingredient in bakery, confectionary, health bars, yogurts, and in the production of snack cereals. The largest consumer of local berries is the food processing sector in Russia.

According to Euromonitor, around 95 percent of all local cranberries are used in food processing.

Numerous commercial companies collect the berries from local pickers at harvest and then freeze them before sending them on to food processors and retailers. Flash frozen berries are sold to foods producers for branded packaging, which are then sold via retail year around. Flash frozen berries are also used as ingredient in the confectionary and dairy sectors. Cranberries are one of two most popular wild berry flavors and juice producers and distilleries traditionally use cranberry concentrate for cranberry drink and flavored distilled spirits.

The rest local cranberries are sold fresh during the season typically running from September-November. Within the season, local cranberries and blueberries are broadly available in local outdoor markets, street kiosks, and in retail stores. Wild berries are usually sold by weight in Russia in all formats.

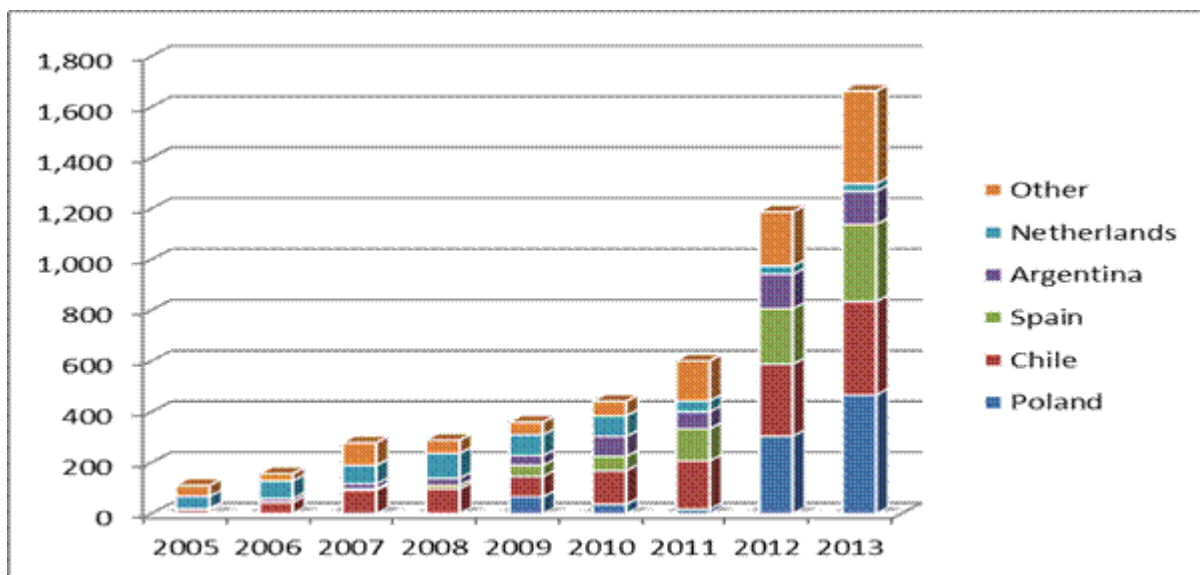
According to industry contacts, 82 percent of total wild berry sales in CY 2013 took place in open markets. However, imported cranberries and blueberries are now available in supermarkets year-round and selling quite well. Demand for fresh blueberries and for frozen and dried sweetened cranberries as ingredients are growing very rapidly in the Russian market.

Trade:

Russian imports of **fresh cranberries** and blueberries (HC 0810 40) have been growing since 2008 reaching 1,663 MT valued \$11.1 million in CY 2013 – up 40 percent compared to the previous year. According to industry contacts, fresh blueberries are the biggest section of berries under HS Code 0810 40 and imports are expected to grow in CY 2014 and beyond driven by the popular “healthy lifestyle” trend. Poland is the largest exporter of fresh cranberries and blueberries supplying Russia with 467 MT of product in CY 2013, up from 17 MT in 2011. Poland currently has 28.1 percent market share in Russia thanks, in part to the fact that Polish berries are imported during the Russian season and successfully compete with domestic berries. Chile is also another major supplier of fresh berries to Russia (22 percent of market share) as are Spain (18 percent), Argentina, and Peru which primarily supply blueberries in the winter spring time to satisfy out of season demand by Russian consumers. Out of the season berries are much more expensive and primarily sold in modern outlets in plastic packaging.

The U.S. share of Russia’s fresh berries market is only 1.3 percent but there is significant potential to expand sales with more promotions and educational campaigns in Russia. Industry contacts have stated that U.S. blueberries can successfully compete (price-wise) in Russia with South American countries and U.S. products offer superior quality and consistency which are highly desired by Russia’s high end retailer chains.

Chart 2. Russia: Imports of Fresh Blueberries and Cranberries CY 2005-2013, in MT



Source:

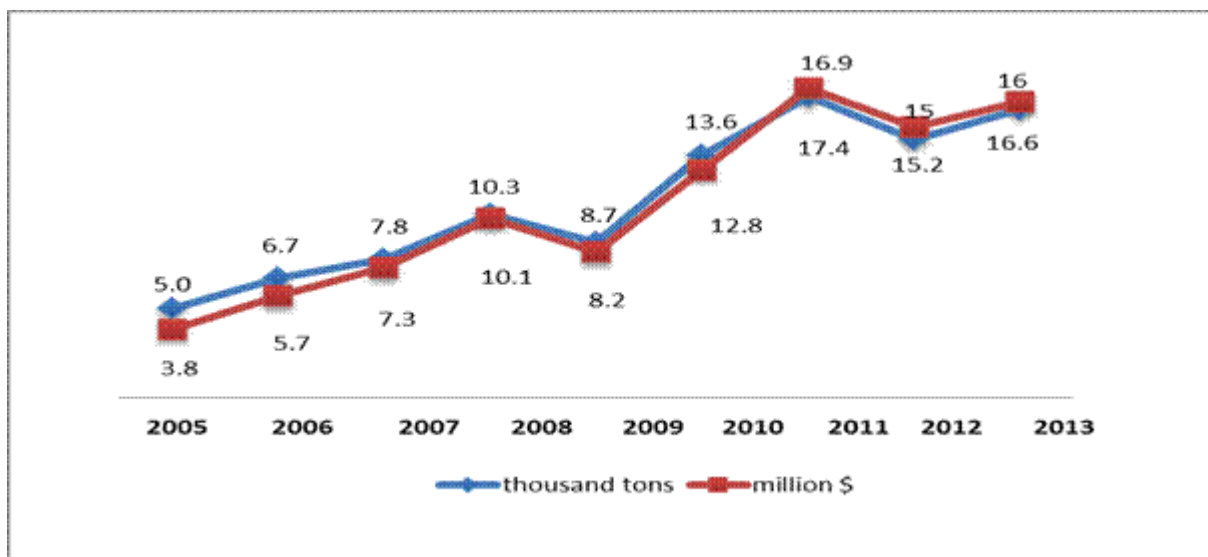
Global Trade Atlas

Russian imports of **frozen blueberries, cranberries**, and other berries under HS Code 0811 90 950 0 have been growing since 2005 reaching 16,245 MT for \$16.6 million in CY 2013 - up 10 percent from the previous year. According to food industry contacts, imported frozen blueberries and cranberries are price competitive with local frozen berries. Most of Russia's cranberries are handpicked and the labor cost within the price is very high. As a result, many Russian food processors prefer to work with imported frozen berries which offer overall better quality and consistency.

In CY 2013, the largest volumes of frozen blueberries, cranberries and other berries under HS Code 0811 90950 0 were exported to Russia from Poland (5,844 MT); China (4,864 MT); Canada (1,755 MT); and the United States (1,188 MT). Post estimates that roughly half of all imported frozen berries under HS Code 0811 90 950 0 were frozen cranberries. The United States increased exports of frozen wild berries from just 1 container in CY 2009 to 2,734 MT in CY 2011. In CY 2013, U.S. exports of frozen berries dropped to 1,188 MT valued at \$1.2 million - a 25 percent decline compared with 2012.

In the first quarter of 2014, the Russian Ruble decreased significantly compared to the U.S. Dollar from 32.65 Ruble/U.S. Dollar to 35.58 making imported frozen berries much more expensive for Russian consumers. Unless there is a correction in the exchange rate soon, Russian imports of frozen berries will likely decline for the remainder of 2014 including the supply of frozen cranberries from the United States.

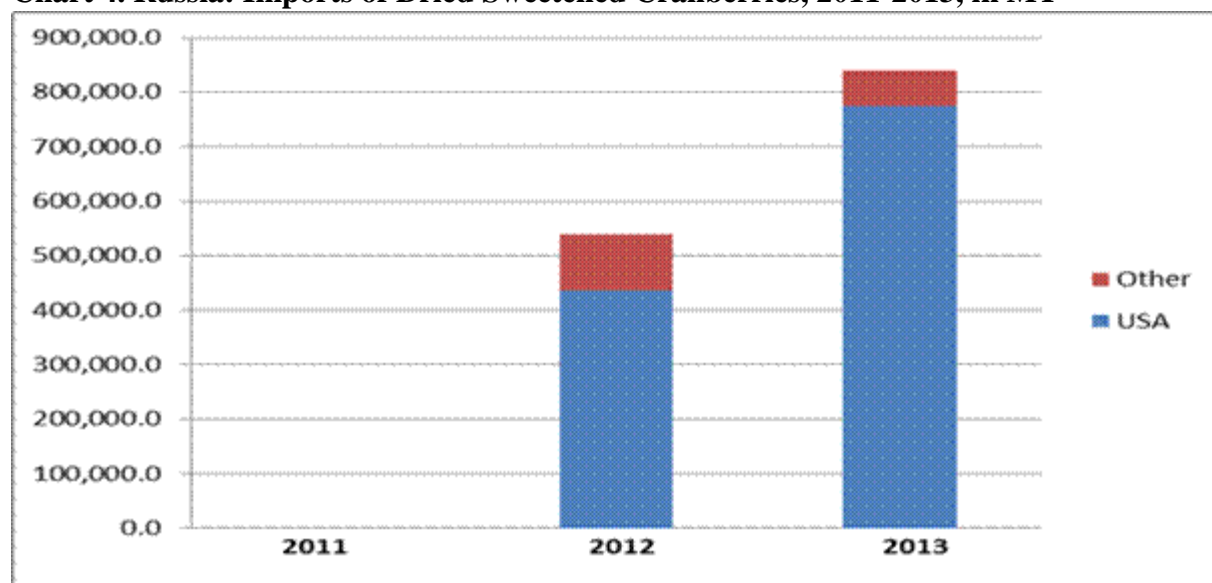
Chart 3. Russia: Imports of Frozen Berries HS Code 0811 90 950 0, CY 2005-2013



Source: Global Trade Atlas

Russian imports of **sweetened dried cranberries** jumped from almost zero in CY 2011 to 900 MT in CY 2013 valued \$1.7 million. In the month of January 2014, Russian imports of the product tripled compared to the same month in 2013 as Russian consumers become more familiar with this new product in the market. Sweetened cranberries are increasing popular for snacking and as an ingredient for the confectionary and bakery industries. The United States is the major supplier of this product to Russia with 93 percent market share in CY 2013. U.S. exports of sweetened dried cranberries reached 774 MT in CY 2013 valued at \$1.5 million, up 70 percent compared to CY 2012. Post expects U.S. exports of sweetened dried cranberries to Russia to double in CY 2014 due in large part to growing consumer demand and better awareness of this new product in the market.

Chart 4. Russia: Imports of Dried Sweetened Cranberries, 2011-2013, in MT



Russian **cranberry juice** (HC 2009 81) imports reached 530 MT in CY 2013 valued at \$1.6 million, up

88 percent compared to the previous year. Russia is big producer of cranberries of which a large percentage goes to juice production and food processing. The United States is the largest supplier of cranberry juice to Russia and exported 329 MT in CY 2013 valued at \$789,162. Chile, Germany and Canada are actively promoting and selling cranberry juice to Russia as well. In CY 2014, overall exports of cranberry juice are expected to decline due to the strengthening dollar which makes imported products more expensive and less competitive compared with domestic products.